
Finance Committee

HB 1815

Brief Description: Concerning current use valuation under the property tax open space program.

Sponsors: Representatives Sullivan, Orcutt, Hinkle, Simpson, Blake, Kristiansen, Haigh, Ericks, Van De Wege, Hope, Newhouse, Roach, Armstrong, Morrell, Takko, Campbell, McCune and Rolfes.

Brief Summary of Bill

- Makes five to 20 acre parcel of land with standing crops that have an expectation of harvest within 15 years eligible for current use valuation under the farm and agriculture program.

Hearing Date: 2/24/09

Staff: Rick Peterson (786-7150)

Background:

Most property is valued or assessed at its true and fair, or highest and best, value for the purposes of imposing property taxes. However, the state Constitution allows the Legislature to enact legislation assessing certain types of real property at its present or current use for purposes of imposing property taxes. Two programs of current use valuation have been established: one program for forest lands and a second program that includes open space lands, farm and agricultural lands, and timber lands.

Farm and agricultural lands must be devoted primarily to commercial agricultural purposes. To qualify for classification as farm and agricultural land, land of less than 20 acres must meet income tests for three of the previous five years. Applications made before January 1, 1993 and that has not been transferred to a new owner since January 1, 1993 must generate \$1,000 in farm gross income for parcels of less than five acres, and farm parcels between five to 20 acres must generate \$100 per acre. For other classified farm and agricultural land, farm parcels less than

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five acres must generate \$1,500 in farm gross income, and farm parcels of between five and 20 acres must generate \$200 per acre.

The Department of Revenue (DOR) rules, adopted to administer the open space current use laws, require that the income be from commercial agricultural production in order to meet the income requirement. Commercial agricultural activities include: raising, harvesting, and selling lawful crops; feeding, breeding, managing, and selling of livestock, poultry, fur-bearing animals, or honey bees; dairying or selling of dairy products, animal husbandry, aquaculture, horticulture, participating in a government-funded crop reduction or acreage set-aside program, or intensive cultivation of Christmas trees or short-rotation hardwoods.

If the property no longer satisfies the criteria for classification, the assessor notifies the owner in writing that the property will be removed from the program. When the property is removed from current use classification, back taxes plus interest must be paid. For open space categories, back taxes represent the tax benefit received over the most recent seven years. There are some exceptions to the requirement for payment of back taxes.

Summary of Bill:

A five to 20 acre parcel of land with standing crops that have an expectation of harvest within 15 years is eligible for current use valuation under the farm and agriculture program if at least \$100 or more per acre of investment is made in the current or previous year.

When the assessor notifies the property owner that the property no long qualifies for current use assessment then assessor will provide information on appeal procedures, including timelines, petition forms, and county board of equalization contact information.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.